



WEEKLY ECONOMIC DIGEST

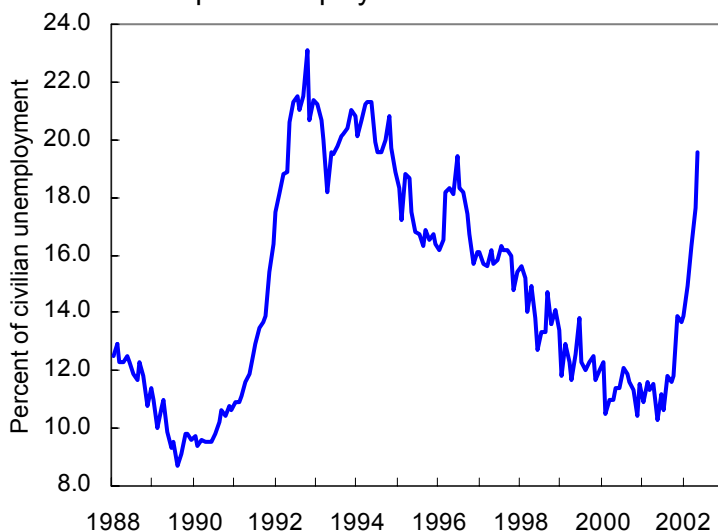


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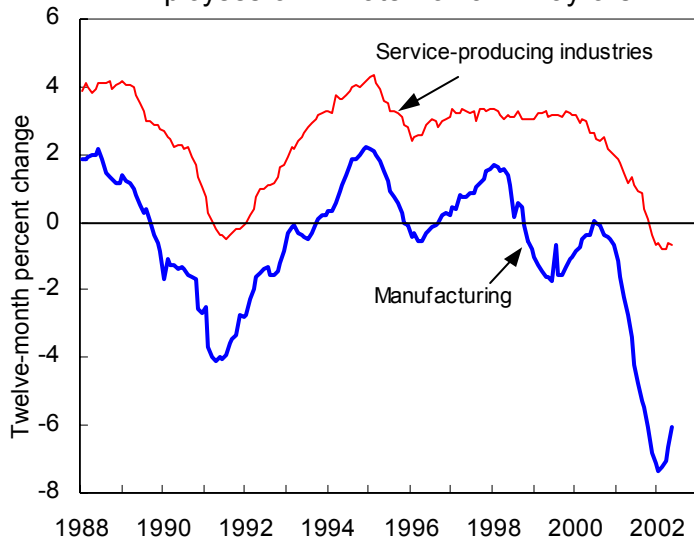
June 11, 2002

Employment Conditions Changed Little in May

People Unemployed for 27 Weeks or More



Employees on Private Nonfarm Payrolls



- **Overall unemployment dropped slightly.** The civilian unemployment rate fell to 5.8 percent in May from April's 6.0 percent rate. That decline surprised most analysts, who had expected unemployment to rise slightly. The decline was statistically insignificant, however, and the overall unemployment rate remained higher than its level in March.
- **Long-term unemployment rose.** The number of unemployed people who have been jobless for 27 weeks or more rose by 142,000 in May to 1.6 million, the highest level since 1994. Nearly one in five unemployed persons has now been jobless for at least half a year. Some evidence suggests that at least some of the long-term unemployed are workers whose skills are poorly suited to the kinds of jobs that are generated in the new economy.
- **Payroll employment barely rose.** The number of employees on nonfarm payrolls inched up by 41,000 last month. That was a smaller increase than most analysts had expected. Manufacturing payrolls declined by 19,000 to a level about 6 percent below last year's level. Private service-producing industries added 50,000 jobs, with half of that increase coming from help-supply services. Growth in help-supply services (which supplies temporary labor to other industries) may presage a more solid recovery in factory employment.
- **Revisions lower official estimates of payroll employment.** Annual revisions to the payroll employment estimates were introduced by the Labor Department with the release of the May employment data. Those revisions reflect more precise population data, improved sampling techniques, and recalculation of the factors used to adjust the raw data for regular seasonal variation. The revisions carry back to 1997. Those revisions lowered the estimate of nonfarm payroll jobs in recent months by about 0.4 percent, a relatively small adjustment in comparison with previous annual revisions.
- **New jobless claims declined in recent weeks.** In the week ending June 1, initial claims for unemployment insurance fell by 32,000. However, it is too soon to tell whether that change marks the start of a solid employment recovery; continuing claims for unemployment insurance remain high.

Economy At A Glance	May	Apr	Mar	Feb	2002 Qtr 1	2001 Qtr 4	2001 Qtr 3	2001 Qtr 2	2001	2000
Economic Activity										
Real GDP (% growth)					5.6	1.7	-1.3	0.3	1.2	4.1
Industrial Production (% growth)*		4.9	4.9	3.7	2.6	-6.7	-4.7	-5.9	-3.9	4.5
Capacity Utilization (Level, %)*		75.5	75.3	75.0	75.0	74.7	76.2	77.4	76.8	81.8
Civilian Unemployment Rate (Level, %)	5.8	6.0	5.7	5.5	5.6	5.6	4.8	4.5	4.8	4.0
Housing Starts (Thousands)		1555	1644	1788	1715	1573	1603	1624	1603	1569
Real Disposable Personal Income (% growth)		-0.9	2.2	7.0	13.8	-8.1	12.3	2.4	3.6	3.5
Retail Sales (% growth)*		15.8	0.6	6.8	-2.3	12.9	-0.9	4.1	3.8	6.7
Personal Saving Rate (Level, %)		2.8	3.0	2.8	2.9	0.4	3.8	1.1	1.6	1.0
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)		6.2	3.7	2.4	1.4	-0.3	0.7	3.1	2.8	3.4
Core CPI-U Inflation (% growth)		3.7	1.2	3.7	2.3	2.7	2.7	2.4	2.7	2.4
Compensation per Hour (% growth)					3.6	4.2	3.7	4.0	4.1	4.5
Output per Hour (% growth)					8.4	5.5	1.1	2.1	1.9	3.3
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.7	1.7	1.8	1.7	1.7	1.9	3.2	3.7	3.4	5.8
T-Note Rate, 10-years (Level, %)	5.2	5.2	5.3	4.9	5.1	4.8	5.0	5.3	5.0	6.0
Federal Funds Rate (Level, %)	1.8	1.8	1.7	1.7	1.7	2.1	3.5	4.3	3.9	6.2
Dow Jones Industrial Avg (Index Level)	10080	10165	10501	9891	10105	9641	9934	10669	10189	10735

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Upcoming Economic Releases:

- **Import and Export Prices, May** [Release: Wednesday, June 12, 2002]
- **Retail Sales, May (Preliminary)** [Release: Thursday, June 13, 2002]
- **Producer Price Index, May** [Release: Thursday, June 13, 2002]
- **Industrial Production, May** [Release: Friday, June 14, 2002]